

## Message Text

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C O N F I D E N T I A L SECTION 01 OF 05 OECD PARIS 02961

E.O. 11652: GDS  
TAGS: OVIP (MONDALE, WALTER F.)  
SUBJECT: VICE PRESIDENT MONDALE'S TALK WITH OECD  
SECGEN VAN LENNEP, JANUARY 28

1. SUMMARY. VICE PRESIDENT MONDALE MET WITH OECD  
SECRETARY GENERAL VAN LENNEP IN PARIS ON JANUARY 28 FOR  
A WIDE RANGING DISCUSSION OF ECONOMIC ISSUES. UNDER  
SECRETARY COOPER, ASSISTANT SECRETARIES HARTMAN AND  
BERGSTEN, NSC SENIOR STAFF MEMBER HORMATS, AND USOECD  
CHARGE KATZ PARTICIPATED ON THE  
US SIDE, IEA EXECUTIVE DIRECTOR LANTZKE AND OECD  
DEPUTY SECRETARIES-GENERAL WOOTTON AND ELDIN JOINED THE  
GROUP TOWARDS THE END OF THE MEETING. THE DISCUSSION  
RANGED OVER GENERAL ECONOMIC POLICY, ENERGY, FINANCIAL  
SUPPORT FUND, TRADE, INVESTMENT, THE NORTH/SOUTH  
DIALOGUE AND EAST-WEST ECONOMIC RELATIONS. VICE  
PRESIDENT MONDALE EXPRESSED STRONG SUPPORT FOR THE WORK  
OF OECD AND IEA. SECRETARY GENERAL VAN LENNEP  
PRESENTED AN OVER-VIEW OF THE ECONOMIC SITUATION AS HE  
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SAW IT STRESSING THE DANGERS IN THE SHORT TERM AND THE  
STEPS THE INDUSTRIALIZED DEMOCRACIES SHOULD TAKE TO  
OVERCOME THEM.

2. GENERAL REMARKS ON OECD; RELATIONSHIP TO SUMMIT.  
THE VICE PRESIDENT BEGAN THE CONVERSATION BY STRESSING  
THE COMMITMENT OF THE NEW ADMINISTRATION TO INTERNATIONAL

ECONOMIC COOPERATION AND THE FACT THAT THE US REGARDS THE OECD TO BE OF CRUCIAL IMPORTANCE IN THIS PROCESS. VAN LENNEP EXPRESSED APPRECIATION FOR THESE REMARKS SAYING THAT THE SMALLER COUNTRIES AND ESPECIALLY THOSE NOT MEMBERS OF THE EUROPEAN COMMUNITY WILL BE PARTICULARLY ENCOURAGED BY THIS REAFFIRMATION OF STRONG US SUPPORT FOR MULTILATERAL ECONOMIC COOPERATION. IN A LATER BRIEF EXCHANGE ON THE SUMMIT, VAN LENNEP EXPRESSED INTEREST IN THE POSSIBILITY THAT OECD COULD CONTRIBUTE TO THE OBJECTIVES OF THE FORTHCOMING SUMMIT THROUGH ITS OWN DELIBERATIONS ON THE ISSUES. HE ALSO STATED THE HOPE THAT THE OECD WOULD BENEFIT FROM THE SUMMIT, WHICH SHOULD SERVE TO STRENGTHEN EXISTING MULTILATERAL INSTITUTIONS. VICE PRESIDENT MONDALE SAID THE US WOULD WELCOME ANY SUGGESTIONS VAN LENNEP MIGHT HAVE ON THE AGENDA. HE SAID THAT ALTHOUGH THE SUMMIT WAS NOT BEING CALLED AN ECONOMIC SUMMIT, ECONOMIC ISSUES WILL BE OF PRIMARY IMPORTANCE TO THE GATHERING. HE ADDED THAT WE HOPE TO EMPHASIZE OUR COMMITMENT TO COOPERATE THROUGH MULTILATERAL INSTITUTIONS SUCH AS NATO AND OECD AND TO COOPERATION WITH THE EUROPEAN COMMUNITY.

3. ECONOMIC OUTLOOK AND POLICY REQUIREMENTS. THE VICE PRESIDENT SAID THAT THE ECONOMIC POINT HE HAD BEEN STRESSING IN THE COURSE OF THE TRIP WAS CONSISTENT WITH THE MAIN OECD MESSAGE--THAT THE STRONGER COUNTRIES MUST TAKE DECISIVE ACTION TO STIMULATE THEIR ECONOMIES BOTH TO ACHIEVE THEIR OWN GROWTH OBJECTIVES AND FOR

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THE GOOD OF THE INTERNATIONAL ECONOMIC SYSTEM. THE US, HE SAID, HAS BEEN RELYING ON THE OECD TARGETS AND STUDIES TO JUSTIFY ITS CASE. VAN LENNEP SAID THAT, ON THE BASIS OF THE SECRETARIAT'S PRELIMINARY ASSESSMENT, THE NEW ADMINISTRATION'S PACKAGE OF STIMULATIVE MEASURES SHOULD SERVE, ESPECIALLY THROUGH ITS CONFIDENCE BUILDING EFFECTS, TO PULL THE OECD AREA-WIDE GNP GROWTH FIGURE ABOVE FOUR PERCENT. ASSUMING THE RIGHT POLICIES IN THE OTHER STRONG COUNTRIES, WHICH HE STRESSED THE OECD HAS NOT YET SEEN, ONE MIGHT BE OPTIMISTIC FOR 1978. IF GERMANY AND JAPAN WERE TO ADOPT THE PROPER MEASURES, HE FELT THE OECD AREA COULD GET BACK TO AN APPROPRIATE GROWTH PATH AS SET BY THE COMMON STRATEGY ADOPTED BY THE MINISTERIAL MEETING LAST JUNE. THERE ARE, OF COURSE, IMPORTANT PROBLEMS, NOT LEAST OF WHICH IS THE MEMORY OF RECENT INSTABILITY, WHICH CONSTITUTES A NEW FACTOR AND HELPS TO MAKE THE SYSTEM ITSELF MORE SENSITIVE TO UPWARD AND DOWNWARD MOVEMENTS. THE WAY TO OVERCOME THESE PROBLEMS IS TO

AGREE TO A SET OF OVERALL OBJECTIVES AND, IDEALLY,  
INDIVIDUAL LINES OF ACTION FOR NATIONAL GOVERNMENTS TO  
FOLLOW, CONSISTENT WITH THESE OBJECTIVES. VAN LENNEP  
CONTINUED THAT WHILE HE COULD BE MORE OPTIMISTIC ABOUT

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THE LONGER RUN, I.E., 1978 AND BEYOND, HE WAS NOT  
OPTIMISTIC ABOUT THIS YEAR. EVEN IF GOOD POLICIES WERE  
TO BE ADOPTED BY THE OTHER STRONG COUNTRIES IMMEDIATELY,  
IT WOULD BE TOO LATE TO AFFECT EVENTS THIS YEAR. IN  
FACT SOME NATIONAL POLICIES IN EUROPE ARE AGGRAVATING  
THE CURRENT SITUATION. HE WAS ALSO PARTICULARLY  
CONCERNED BY THE IMBALANCES IN EXTERNAL ACCOUNTS. THE  
SALLER COUNTRIES WERE IN A PARTICULARLY DIFFICULT  
SITUATION. THE OECD SECRETARIAT ESTIMATES THAT THE  
SMALLER COUNTRIES WITH THIRTY PERCENT OF THE GNP OF THE  
OECD AREA AS A WHOLE HAD A TOTAL DEFICIT OF \$75 BILLION  
ON CURRENT ACCOUNT, WHILE GERMANY HAD ACCUMULATED A  
LARGE SURPLUS. THESE PROBLEMS HAVE TO BE TACKLED IN A  
COHERENT WAY, HE SAID, OR COUNTRIES WILL BEGIN TO ADOPT  
RESTRICTIVE TRADE MEASURES. EVEN IF EXTERNAL FINANCING  
WERE TO BE MORE READILY AVAILABLE, A NUMBER OF COUNTRIES  
SIMPLY DO NOT BELIEVE THEY SHOULD ACCUMULATE MORE DEBT

IN THE PRESENT CIRCUMSTANCES. HE ADDED THAT MANY OF THE  
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WEAKER COUNTRIES WHO ARE AFFECTED BY THIS SITUATION ARE  
IN THE POORER SOUTHERN TIER AND THEIR ECONOMIC PROBLEMS  
IMPLIED POLITICAL DANGERS AS WELL. THUS, HE CONCLUDED,  
THERE IS A REAL NEED TO STRENGTHEN COORDINATION OF  
ECONOMIC POLICY AND TO IMPOSE GREATER DISCIPLINE ON THE  
POLICIES OF THE INDUSTRIALIZED DEMOCRACIES. HEIGHTENED  
COORDINATION MUST BE ABETTED BY WHAT HE CALLED "FLANKING  
ACTIONS" SUCH AS A CONSIDERABLE INCREASE IN THE  
AVAILABILITY OF RESOURCES FOR EXTERNAL FINANCING  
(E.G., THE FINANCIAL SUPPORT FUND), A REAFFIRMATION OF  
THE TRADE PLEDGE AND MUCH GREATER ATTENTION TO  
SECTORAL PROBLEMS.

4. AT A LATER POINT IN THE CONVERSATION, THE VICE  
PRESIDENT ASKED WHETHER THE SECRETARY GENERAL HAD ANY  
ADVICE ON HOW TO BRING ABOUT IMPROVEMENT IN THE GERMAN,  
JAPANESE, OR DUTCH ECONOMIC POLICIES. THE SECRETARY  
GENERAL REPLIED THAT THE OECD SECRETARIAT WOULD NOT  
CHANGE THE ECONOMIC FORECASTS FOR GERMANY OR JAPAN ON  
THE BASIS OF WHAT IS KNOWN OF THEIR NEW MEASURES. INDEED,  
THE JAPANESE FORECAST IS SOMEWHAT LOWER--ABOUT FIVE AND  
ONE-HALF PERCENT INSTEAD OF THE SIX PERCENT PROJECTED  
IN DECEMBER. OBVIOUSLY, COUNTRIES CANNOT BE OBLIGATED  
TO TAKE MEASURES WHICH THEY CONSIDER TO BE AGAINST THEIR  
INTEREST, AND HE POINTED OUT THE GERMANS AND THE  
JAPANESE HAVE NO REASON FROM THEIR OWN POINTS OF VIEW  
TO TAKE ANY ACTION AT THIS STAGE. FROM AN INTERNATIONAL  
POINT OF VIEW, HOWEVER, THIS WATCHFUL WAITING ADVERSELY  
AFFECTS A LARGE NUMBER OF WEAKER AND  
SMALLER COUNTRIES. THE GERMANS, HE SAID, SHOULD  
OBVIOUSLY STIMULATE DOMESTIC DEMAND IMMEDIATELY. IF  
THEY ARE IMPERVIOUS TO APPEALS BASED ON GNP GROWTH RATES,  
PERHAPS THEY SHOULD BE APPROACHED IN TERMS OF THE  
DEMANDS OF ADJUSTMENT PROCESS. WITH RESPECT TO JAPAN,  
HE SAID, THE YEN RATE SHOULD BE ALLOWED TO RISE. IT IS  
NOW BEING HELD DOWN BY AN ARTIFICIALLY DAMPENED GROWTH  
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RATE, BY RESTRICTIONS ON CAPITAL IMPORTS AND BY  
EXTERNALLY IMPOSED DOMESTIC RESTRICTIONS ON EXPORTS.  
IN THE CASE OF BOTH COUNTRIES, THE WAY TO GET AT THE  
PROBLEM IS BY POLICY DISCUSSIONS IN A MULTILATERAL  
SETTING THAT INVOLVES ALL STRANDS OF POLICY SO THAT THE

TOTAL IMPACT OF THE COUNTRY'S POLICY ON THE INTERNATIONAL ECONOMY COULD BE CONSIDERED. HE THOUGHT THAT IN THE CASE OF JAPAN IT WOULD BE ESPECIALLY USEFUL TO EMPLOY SUCH AN OVERALL APPROACH.

5. BERGSTEN SUGGESTED THAT PERHAPS A ROUGH AND READY CRITERION FOR ACTION WOULD BE FOR EACH OF THE MAJOR COUNTRIES TO ADOPT STIMULATIVE PACKAGES WORTH ONE PERCENT GNP GROWTH PER ANNUM FOR ABOUT TWO YEARS. THE VICE PRESIDENT SAID THAT THE US ACTION WAS DESIGNED TO HAVE AN IMMEDIATE EFFECT IN THE FIRST YEAR BY INCREASING CONSUMPTION WHILE OTHER FORMS OF SPENDING SUCH AS PUBLIC WORKS WOULD BUILD UP GRADUALLY TO HAVE THEIR FULL IMPACT IN THE SECOND YEAR OF THE PROGRAM. VAN LENNEP SAID THAT UNFORTUNATELY THE GERMANS HAVE REJECTED THE APPROACH OF DIRECT STIMULATION OF CONSUMPTION. THEY REJECT THIS KEYNESIAN APPROACH AS OUTMODED IN THE PRESENT CIRCUMSTANCES IN FAVOR OF A STRESS ON STRUCTURAL IMPROVEMENTS WHICH HAVE NO SHORT RUN EFFECTS. COOPER SUGGESTED THAT PERHAPS THE GERMANS COULD REDUCE THE VAT. LANTZKE INTERJECTED THAT THE GERMANS ARE ALWAYS RELUCTANT TO TAKE STIMULATIVE MEASURES IN THE ECONOMY BEFORE THE MAJOR SPRING WAGE NEGOTIATION IS OUT OF THE WAY, WHICH HE ESTIMATED WOULD BE IN APRIL. BERGSTEN POINTED OUT THAT THERE WAS

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ALWAYS A WAGE ROUND IN THE OFFING OR JUST CONCLUDED WHICH COULD BE USED AS AN EXCUSE FOR NO ACTION. HE ALSO POINTED OUT THAT INSTEAD OF A REDUCTION IN TVA, THE GERMANS ARE STILL PURSUING A POSSIBLE TWO POINT INCREASE IN THAT TAX TO REDUCE THE BUDGET DEFICIT AS AN INDEPENDENT OBJECTIVE.

6. FINANCIAL SUPPORT FUND. REFERRING TO VAN LENNEP'S REMARK ON THE FINANCIAL SUPPORT FUND AS PART OF THE COHERENT PROGRAM HE HAD PROPOSED, COOPER SAID THAT THE CARTER ADMINISTRATION HAS NOT YET TAKEN A POSITION ON WHETHER THIS LEGISLATION SHOULD BE PASSED. HE ACKNOWLEDGED THAT THIS IS A SOMEWHAT EMBARRASSING POSITION TO BE IN, IN VIEW OF THE FACT THAT THE FINANCIAL SUPPORT FUND WAS AN AMERICAN INITIATIVE. HE ASSERTED THAT IF WE WERE STARTING FROM SCRATCH, THE US WOULD PROBABLY NOT CHOOSE THE FINANCIAL SUPPORT FUND OPTION. HOWEVER, THE USG IS NOW SEIZED WITH THE PROBLEM, CONFIDENTIAL

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AND IS REVIEWING ALL POSSIBLE MECHANISMS INCLUDING THE FINANCIAL SUPPORT FUND. VAN LENNEP STRESSED THAT THE FINANCIAL SUPPORT FUND COULD MAKE AN IMPORTANT CONTRIBUTION TO THE NEED FOR GREATLY INCREASED EXTERNAL FINANCING RESOURCES. ITS EXISTENCE WOULD HELP, NOT HINDER, THE OBJECTIVE OF ATTRACTING OPEC RESOURCES. IT WOULD, MOREOVER, IMPROVE THE BARGAINING POSITION OF THE INDUSTRIALIZED COUNTRIES IN DISCUSSING THE CONDITIONS ON WHICH OPEC FUNDS COULD BE USED.

7. TRADE. BERGSTEN REFERRED TO VAN LENNEP'S REMARK ON TRADE, SAYING THAT THE ADMINISTRATION WAS AWARE OF THE GREAT RISK OF PROTECTIONISM IN THE CURRENT SITUATION. THEREFORE, IN THE COURSE OF THIS TRIP THEY HAVE BEEN STRESSING THE NEED TO MOVE FORWARD CONVINCINGLY IN THE MULTILATERAL TRADE NEGOTIATIONS--NOT JUST TO MEET A DEADLINE, BUT RATHER TO ACHIEVE A FAR REACHING AND SERIOUS RESULT IN TERMS OF TRADE LIBERALIZATION. THE RESPONSE, BERGSTEN SAID, HAS NOT BEEN OVERWHELMING. ONLY THE COMMISSION IN BRUSSELS RESPONDED FAVORABLY. (AT THIS POINT THE VICE PRESIDENT POINTED OUT TO VAN LENNEP THE REMARKABLE AND PERHAPS UNPRECEDENTED CONVERGENCE OF TREASURY AND STATE DEPARTMENT VIEWS ON SUCH A SENSITIVE SUBJECT.) VAN LENNEP AGREED THAT IT WAS OBVIOUSLY NECESSARY TO PRESS FORWARD WITH THE TRADE NEGOTIATIONS WHICH REQUIRE IN THE FIRST PLACE

FINDING A SOLUTION TO THE PROBLEM OF AGRICULTURE, PROBABLY AT FIRST IN A BILATERAL US-EC CHANNEL AND LATER PERHAPS IN A SOMEWHAT BROADER MULTILATERAL GROUP. HOWEVER, HE CONTINUED, THE EUROPEANS SIMPLY DO NOT GET EXCITED ABOUT TRADE LIBERALIZATION, WHOSE BENEFITS ARE LONG TERM, BECAUSE THEY ARE SO CONCERNED RIGHT NOW WITH HOW TO KEEP THE SYSTEM TOGETHER. IT IS, THEREFORE, NECESSARY, IN HIS VIEW, TO STRENGTHEN THE TRADE PLEDGE BY LINKING IT TO A MORE AGGRESSIVE POLICY AIMED AT ACHIEVING MORE HARMONIOUS NATIONAL BALANCE OF

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PAYMENTS OBJECTIVES AS PART OF AN OVERALL STRATEGY ON ECONOMIC POLICY. THIS OVERALL STRATEGY SHOULD BE BUTTRESSED BY GREATER AVAILABILITY OF EXTERNAL FINANCING AND BY INCREASED CONSIDERATION OF SECTORAL PROBLEMS. IF WE HAVE THE POLITICAL WILL TO MOVE DECISIVELY TO PROTECT OUR CURRENT SYSTEM IN A COHERENT WAY, VAN LENNEP SAID, WE WILL THEN BE ABLE TO MAKE BETTER PROGRESS ON MORE FAR REACHING TRADE LIBERALIZATION.

8. ENERGY. THE VICE PRESIDENT SAID THAT THE PRESIDENT ASKED HIM TO REPORT THE DETERMINATION OF THE ADMINISTRATION TO WORK OUT AN EFFECTIVE NEW ENERGY POLICY WHICH WILL BE ADMINISTERED BY A NEW DEPARTMENT HEADED BY JAMES SCHLESINGER. THERE WOULD BE HEAVY EMPHASIS ON CONSERVATION, COOPERATION ON RESEARCH AND DEVELOPMENT THROUGH THE IEA, AND MORE RAPID ACCUMULATION OF STOCKPILES. HE SAID THAT THE US WILL BE INTENSIFYING ITS COOPERATION IN THE IEA. LANTZKE SAID THAT THERE WAS A GOOD CONSTELLATION OF DEVELOPMENTS. THE US IS PUTTING A MUCH GREATER PRIORITY ON ADOPTING AN EFFECTIVE ENERGY POLICY. THE FRG IS UPDATING ITS ENERGY POLICY AND JAPAN IS REVIEWING THE POLICY OF THAT COUNTRY. IN THE IEA HE SAID NATIONAL ENERGY POLICIES ARE BEING LOOKED AT VERY CRITICALLY WITH A VIEW TO MAKING HARD RECOMMENDATIONS TO NATIONAL GOVERNMENTS ON SPECIFIC POLICY CHANGES. FOR EXAMPLE, IN THE CASE OF EUROPE THERE IS A NEED FOR A CONSIDERABLE SWITCH FROM THE USE OF OIL TO COAL WHICH WILL REQUIRE A VERY HIGH

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LEVEL OF INVESTMENT. IN THE US THERE IS A NEED FOR A MORE MEANINGFUL CONSERVATION POLICY. IN JAPAN THERE IS NEED FOR A GREATER BACKUP CAPABILITY IN CASE THEIR LARGE NUCLEAR PROGRAM DOES NOT MATERIALIZE AS PLANNED. WHAT IS NEEDED ABOVE ALL IS A POLITICAL COMMITMENT AMONG THE MAJOR REGIONS TO GO FORWARD TOGETHER TO REDUCE SIGNIFICANTLY OIL CONSUMPTION, AND THEREFORE OIL IMPORTS. THE NEXT MEETING OF THE IEA GOVERNING BOARD WILL PROBABLY CONSIDER SUCH A PROGRAM OF MUTUAL COMMITMENTS WHICH SHOULD BE READY FOR ADOPTION BY A MINISTERIAL MEETING SOMETIME IN JULY. THE CRITICAL ELEMENT IN MAKING THE INTERNATIONAL PROGRAM WORK IS THE US COMMITMENT IN TERMS OF EFFECTIVE ENERGY POLICY.

THE VICE PRESIDENT SAID THAT HE WAS PLEASED TO HEAR OF THIS WORK PROGRAM AND SCHEDULE FOR IEA. HE SAID THAT THE MUCH TOUGHER AND MORE COHERENT POLICY THAT THE US INTENDS TO ADOPT IN THE ENERGY FIELD SHOULD BE READY  
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TO BE ANNOUNCED BY MID-APRIL, WHICH SHOULD FIT IN NICELY WITH THE IEA SCHEDULE. THE VICE PRESIDENT SAID THAT LANTZKE'S IDEAS ON PRESENTATION OF THE US PROGRAM IN SUCH A WAY AS TO MAXIMIZE ITS INTERNATIONAL EFFECTS WOULD BE WELCOME. HE SUGGESTED THAT LANTZKE VISIT WITH MR. SCHLESINGER AND HE CHARGED MR. HARTMAN WITH



ASSURING THAT THIS BE ARRANGED AT AN APPROPRIATE TIME.

9. NORTH/SOUTH RELATIONS. VAN LENNEP BEGAN THIS SUBJECT BY SAYING IT WAS OBVIOUSLY IMPORTANT TO GET A SATISFACTORY OUTCOME FOR CIEC. HOWEVER, BEYOND THIS IMMEDIATE OBJECTIVE IT WAS IMPORTANT TO MOVE TO BETTER AND MORE COHERENT OVERALL POLICIES ON RELATIONS WITH DEVELOPING COUNTRIES. FOR EXAMPLE, HE SAID, THE AID RECORD OF THE COUNTRIES WITH STRONG ECONOMIES WAS VERY UNIMPRESSIVE.

THE VICE PRESIDENT RESPONDED THAT THE NEW ADMINISTRATION INTENDED TO BE CONSIDERABLY MORE FORTHCOMING AS FAR AS ODA WAS CONCERNED AND TO SUBSTANTIALLY REPLENISH THE MULTILATERAL FINANCIAL INSTITUTIONS. WE HAVE MORE TROUBLE, HE SAID, WITH SUCH CONCEPTS AS DEBT RELIEF. WHAT IS NEEDED IS A VERY SOPHISTICATED DIALOGUE WITH THE DEVELOPING COUNTRIES AND HE SAID WE LOOK TO THE OECD AND ITS EXECUTIVE COMMITTEE (XCSS) TO HELP PREPARE THE POSITION OF THE INDUSTRIALIZED COUNTRIES.

VAN LENNEP SAID THAT AFTER CIEC, IT WAS IMPORTANT FOR THE INDUSTRIALIZED COUNTRIES TO DEVELOP AN OVERALL CONCEPT OF THEIR RELATIONSHIP WITH THE DEVELOPING COUNTRIES. FOR SOME TIME THE LDC'S HAVE BEEN COMING TO MEETINGS WITH ALL THEIR PROBLEMS AND PROPOSALS ADDED UP ESSENTIALLY WITH THE OBJECTIVE OF MAINTAINING THEIR OWN UNITY. WHAT THE INDUSTRIALIZED COUNTRIES NEED, HE SAID, IS TO HAVE THEIR OWN OBJECTIVES. FOR EXAMPLE, HOW TO GIVE AID TO THE POOREST COUNTRIES AND

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SECTORS OF SOCIETY, HOW TO HELP THE MIDDLE INCOME COUNTRIES DIVERSIFY THEIR ECONOMIES, AND HOW TO SUSTAIN GREATER ACCESS TO THE ECONOMIC SYSTEM FOR THE STRONGER LDC'S. WE HAVE DONE VERY LITTLE HE SAID TO DEVELOP SUCH AN OVERALL CONCEPT. IF WE DID SO, WE WOULD BE IN A BETTER POSITION TO NEGOTIATE WITH THE DEVELOPING COUNTRIES IN THE INEVITABLY CONTINUING DIALOGUE.

COOPER SAID THAT AS FAR AS CIEC IS CONCERNED, WE WERE PROCEDURALLY AT THE VERY BEGINNING OF THE TASK OF DEALING WITH A LARGE ARRAY OF ISSUES ON WHICH WE HAVE TO TAKE POSITIONS. OUR TENTATIVE POSITION IS THAT THE CIEC MINISTERIAL SHOULD PRECEDE THE SUMMIT. AS FOR DEVELOPING OUR OWN OBJECTIVES ON LDC ECONOMIC PROBLEMS, COOPER POINTED OUT THAT HISTORICALLY THE INDUSTRIALIZED COUNTRIES USED TO CONCEIVE APPROACHES FOR DEALING WITH LDC PROBLEMS--FOR EXAMPLE, THE US INITIATIVE FOR THE ALLIANCE FOR PROGRESS IN LATIN

AMERICA WHICH SOON TURNED SOUR. IDA ITSELF WAS A US INITIATIVE AND SOME LDC'S ARE NOT TOO HAPPY WITH IT. IT THEREFORE MIGHT BE USEFUL THAT THE LDC'S PUT THEIR OWN DESIRED MECHANISMS ON THE AGENDA ALTHOUGH THE INDUSTRIALIZED COUNTRIES MAY HAVE TO DEAL WITH THEIR DEMANDS BY PROPOSING ALTERNATIVE SOLUTIONS. VAN LENNEP AGREED THAT IT WAS DESIRABLE TO MAINTAIN LDC UNITY AND INITIATIVE FOR DIALOGUE PURPOSES BUT MAINTAINED THAT THE INDUSTRIALIZED COUNTRIES NEED TO PREPARE THEMSELVES FOR A DIALOGUE LASTING A DECADE AND BEYOND BY DEVELOPING AN OVERALL CONCEPT OF THEIR RELATIONSHIP WITH THE LDC'S.

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BERGSTEN SAID THAT THE NEW ADMINISTRATION WAS CHARACTERIZED BY FAR GREATER COHESION IN THE EXECUTIVE BRANCH IN TERMS OF THE DECISION MAKING PROCESS. THE ADMINISTRATION IS ALSO DETERMINED TO IMPROVE ITS RELATIONS WITH CONGRESS AND HAS ALREADY CONSULTED ACTIVELY WITH THE CONGRESS ON A NUMBER OF KEY ISSUES. WE SEE THE PROCESS IN THREE STAGES--CONSULTATION AT HOME, I.E., WITHIN THE EXECUTIVE BRANCH AND THEN WITH

THE CONGRESS, CONSULTATION WITH OTHER INDUSTRIALIZED DEMOCRACIES, AND THEN DISCUSSIONS AND NEGOTIATIONS WITH THE DEVELOPING COUNTRIES. THIS PROCESS MAY TAKE SOME TIME, HE SAID, AND WE HOPE THAT WE WOULD NOT BE PRESSED TO FINALIZE OUR POSITIONS FOR THE DIALOGUE TOO SOON.

10. EAST/WEST ECONOMIC RELATIONS. VAN LENNEP POINTED OUT THAT THE US HAD TAKEN AN INITIATIVE TO ANALYZE THE CHANGES THAT HAD TAKEN PLACE IN EAST/WEST ECONOMIC  
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RELATIONS. THE OECD WAS WORKING ON THIS PROBLEM, AND IT WAS IMPORTANT FOR THE US TO CONTINUE TO EXERCISE LEADERSHIP AND DIRECTION ON THIS SUBJECT.

1. INVESTMENT AND MULTINATIONAL ENTERPRISES. VAN LENNEP DESCRIBED THE OECD INVESTMENT PACKAGE BRIEFLY, POINTING OUT IT WAS NECESSARY TO FOLLOW UP IN SOME DEFINITE WAY LEST THE ENTIRE EXERCISE FALL BACK INTO A BUREAUCRATIC MODE. THIS REQUIRED A CLEAR SENSE OF THE DIRECTION THE US WISHES TO GO. BERGSTEN CHARACTERIZED THE OECD INVESTMENT PACKAGE AS AN IMPORTANT FIRST STEP WITH THE GREAT MERIT THAT IT LEVIES RESPONSIBILITIES ON BOTH GOVERNMENTS AND MNE'S.

THE VICE PRESIDENT CONCLUDED THE DISCUSSION BY REPEATING THE GREAT EMPHASIS PLACED BY THE US ON INTERNATIONAL ECONOMIC COOPERATION AND THE IMPORTANCE WITH WHICH THE US REGARDS THE OECD.  
KATZ

CONFIDENTIAL

NNN

## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01-Jan-1994 12:00:00 am  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** n/a  
**Control Number:** n/a  
**Copy:** SINGLE  
**Sent Date:** 29-Jan-1977 12:00:00 am  
**Decaption Date:** 01-Jan-1960 12:00:00 am  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 22 May 2009  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1977OECDP02961  
**Document Source:** CORE  
**Document Unique ID:** 00  
**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** GS  
**Errors:** N/A  
**Expiration:**  
**Film Number:** D770033-0249  
**Format:** TEL  
**From:** OECD PARIS  
**Handling Restrictions:** n/a  
**Image Path:**  
**ISecure:** 1  
**Legacy Key:** link1977/newtext/t1977015/aaaaaees.tel  
**Line Count:** 582  
**Litigation Code IDs:**  
**Litigation Codes:**  
**Litigation History:**  
**Locator:** TEXT ON-LINE, ON MICROFILM  
**Message ID:** 5a3171d9-c288-dd11-92da-001cc4696bcc  
**Office:** ACTION EUR  
**Original Classification:** CONFIDENTIAL  
**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
**Page Count:** 11  
**Previous Channel Indicators:** n/a  
**Previous Classification:** CONFIDENTIAL  
**Previous Handling Restrictions:** n/a  
**Reference:** n/a  
**Retention:** 0  
**Review Action:** RELEASED, APPROVED  
**Review Content Flags:**  
**Review Date:** 28-Feb-2005 12:00:00 am  
**Review Event:**  
**Review Exemptions:** n/a  
**Review Media Identifier:**  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**SAS ID:** 3593236  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** VICE PRESIDENT MONDALE'S TALK WITH OECD SEC GEN VAN LENNEP, JANUARY 28  
**TAGS:** OVIP, (MONDALE, WALTER F)  
**To:** STATE  
**Type:** TE  
**vdkgvwkey:** odb://SAS/SAS.dbo.SAS\_Docs/5a3171d9-c288-dd11-92da-001cc4696bcc  
**Review Markings:**  
Margaret P. Grafeld  
Declassified/Released  
US Department of State  
EO Systematic Review  
22 May 2009  
**Markings:** Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009